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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000463

SENSITIVE  
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DEPT FOR EEB/TPP/BTA AND EAP/MTS,  
TREASURY FOR OASIA AND IRS,  
STATE PASS FOR USTR - WEISEL AND EHLERS,  
GENEVA FOR USTR

E.O. 12958: DECL: 11/12/2018  
TAGS: [ECON](#) [ETRD](#) [PGOV](#) [MY](#)  
SUBJECT: DAS KASOFF REVIEWS TRADE ISSUES WITH MALAYSIAN  
OFFICIALS

Classified By: Economic Counselor Matthew J. Matthews, reason 1.4 (b and d).

11. (C) Summary: In meetings with Department of Commerce Deputy Assistant Secretary Kasoff June 4-5, senior officials at Malaysia's Ministry of Trade and Industry and the Ministry of Domestic Trade June signaled that Malaysia was ready to demonstrate more flexibility on key FTA negotiating issues. They also noted that the Government of Malaysia was working to improve IPR enforcement and was planning to have legislation on competition policy in place by the end of the year. Plans were also under discussion for shifting the lead on export controls from the Ministry of Foreign Affairs to the Ministry of International Trade and Industry. End Summary.

#### Economic Reform and Trade Policy

12. (C) MITI Secretary General Rahman told DAS Kasoff in a June 5 meeting that MITI was focused on two elements of Malaysia's ongoing economic reform program: liberalization of the services sector and creation of supportive conditions for faster growth of SMEs. He said that MITI hoped for the announcement of more liberalization measures for services that would address reduced bumi equity requirements, facilitation of access for service sector talent, and service sector regulatory reform. On the US-Malaysian FTA negotiations, Rahman said, Malaysia had been sending signals to the United States at senior levels and was looking for signs from us in response. Malaysia was also looking at the P-4, the TPP, and APEC-wide agreements, as well as EU options with ASEAN. DAS Kasoff said that Malaysia needed to signal that it was ready to engage comprehensively on all chapters of the bilateral agreement. Rahman responded that the GOM was moving toward a more comprehensive approach that included government procurement, but Malaysia needed to be convinced that it could do a deal that would lead to increased investment, better market access and capacity building. He added that Malaysia was moving toward more open positions even on topics like government procurement and competition policy and the government was working on reforms to increase transparency as well.

#### Removal of Pork Import Ban and Halal Issues

13. (SBU) DAS Kasoff welcomed Malaysia's decision to remove the temporary ban it placed on pork imports, but informed Secretary Rahman that the U.S. had continuing concerns about the trade restrictive implications of new standards

Malaysia had introduced for halal certification. Kasoff noted that the U.S. hoped Malaysia would return to internationally accepted codex standards. Rahman said the promulgation of the new halal standards had been done under the Prime Minister's Department but he noted that in response to concerns that had been raised, the GOM recently decided to study the new halal certification requirements further.

#### Export Controls

14. (C) Emphasizing that Malaysia was a key trading hub and that stepped up international efforts to prevent illegal shipments of dual use items was a key priority for the U.S., DAS Kasoff asked Rahman for a status update on Malaysia's draft export control law. Rahman noted that Ambassador Keith had just raised U.S. concerns on this with Minister Mustapa. He noted that the Ministry of Foreign Affairs (MFA) had the lead and that the draft bill currently was under review by the Attorney General's Chambers. It was more or less agreed, Rahman said, that MITI would be the license issuing agency once the law was passed and went into force, but the GOM was working to make sure it had an effective approach to carrying out export licensing without disrupting trade or placing burdens on private sector firms.

He added that the government was struggling with a particularly big problem with regard to Scomi, which was producing a dual-use item used in centrifuges, so the GOM needed to proceed carefully. (Note: Scomi is a politically connected Malaysian engineering company listed on the stock exchange which does substantial business with countries of concern like Iran. Its major stockholder is the son of

KUALA LUMP 00000463 002 OF 002

former PM Abdullah. Also note that Scomi execs were designated by the U.S. recently. End note.)

15. (C) Rahman told Kasoff the GOM was working on capacity building and welcomed the opportunity to participate in international conferences on export controls like the upcoming program in Turkey. EconCouns noted that the Embassy had a senior EXBS Officer who was dedicated to providing training in Malaysia and other countries in the Southeast Asia region, but that the Ministry of Foreign Affairs had stalled efforts to provide export control related training in Malaysia, including a training proposal the Embassy made to MITI in March on export licensing which MITI staff had said would have been very useful. In reply, Rahman noted that MITI Minister Mustapa was aware of this problem and revealed that plans were now afoot to shift the lead on export controls from MFA to MITI. That, he said, would enable MITI to work directly with the Embassy.

#### Strengthening IPR Protection

16. (SBU) On IPR, DAS Kasoff pointed out to Secretary General Rahman that the US appreciated the increase in IPR related prosecutions but noted that the US was concerned at the weakening in Malaysia's IPR enforcement efforts of late. Rahman agreed that Malaysia's enforcement efforts had been lacking over the past year and assured DAS Kasoff that the Najib government was intent on doing better on enforcement in the year to come.

17. (SBU) In a separate meeting with DAS Kasoff on June 4, Ministry of Domestic Trade and Consumer Affairs (MDTCA) Deputy Secretary General Daud bin Tahir reiterated Malaysia's intention to improve Intellectual Property Rights (IPR) enforcement. Daud said that the new Minister wants to "go all out" to protect IPR. He described the ministry's approach to first target the "hotspot" areas, with the goal of reducing the number of hotspots this year by 80 percent, and entirely eliminating the hotspots by 2012. (NOTE: Hotspots are the market areas or shopping centers with the most widespread sales of counterfeit products.) Daud emphasized the need for "balanced enforcement" with programs

to increase consumer awareness of IPR combined with enforcement efforts directed at the supply sources of the illegal products. He said that MDTCA planed to introduce reward programs to find the illegal producers of the infringing products. DAS Kasoff offered to look into possible capacity building assistance in IPR sector through the Commercial Law Development Program (CLDP). Daud said that Malaysia needs capacity building for judges and prosecutors, especially with the increased use of the IPR courts.

#### Liberalizing Markets and Competition Policy

18. (U) Turning to Malaysia,s recent services sector reforms, Daud said that GOM would introduce a competition law before the end of the year. He said that the market liberalization initiative being drawn up by the Prime Minister Department,s Economic Planning Unit (EPU) was substantial. It was designed to reduce bureaucracy and create a more competitive and market-oriented environment for businesses. Daud said there were specific proposals for liberalized participation in distributive trade and the reduction of price controls.

19. (U) This message was not cleared by DAS Kasoff before he left Kuala Lumpur.  
RAPSON